

**ALMINEX LIMITED****STATEMENT OF SOURCE AND APPLICATION OF FUNDS**

for six month period ending June 30, 1972 with comparative figures for 1971

(Unaudited)

**SOURCE OF FUNDS:**

	<u>1972</u>	<u>1971</u>
Income Before Write-offs and Income Taxes .....	\$2,193,100	\$1,909,900
Income Taxes .....	<u>452,000</u>	<u>445,000</u>

\$1,741,100\$1,464,900**APPLICATION OF FUNDS:**

Acquisition of Properties .....	\$ 115,200	\$ 275,400
Development of Proven Properties .....	311,300	34,200
Additions to Plant and Equipment .....	698,100	308,800
Advances to Subsidiary Companies .....	30,300	—
Dividends Paid .....	764,600	535,200
Increase (Decrease) in Other Assets .....	<u>(187,100)</u>	<u>24,900</u>

<u>\$1,732,400</u>	<u>\$1,178,500</u>
--------------------	--------------------

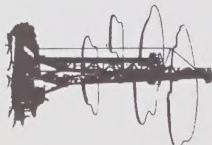
INCREASE IN WORKING CAPITAL POSITION .....

\$ 8,700	\$ 286,400
----------	------------

<u>1,614,700</u>	<u>1,315,700</u>
------------------	------------------

<u><u>\$1,623,400</u></u>	<u><u>\$1,602,100</u></u>
---------------------------	---------------------------

**Interim Report**  
**June 30, 1972**



**ALMINEX**  
**LIMITED**

July 17, 1972

## TO THE SHAREHOLDERS:

Alminex's production of crude oil and natural gas and sales of natural gas liquids all increased during the first six months of 1972 over the same period in 1971. Sulphur production declined. Gross production income increased, and net profit was up despite an increase in exploration expenditures, and higher write-offs for depreciation and depletion.

## PRODUCTION

Production of oil, gas and sulphur, and sales of natural gas liquids during the first halves of 1972 and 1971 were as follows:

	1972	1971	Increase (Decrease)
Oil (bbls./day)	4970	4236	17.3%
Natural Gas Liquids (NGL) (bbls./day)	632	619	2.1%
Gas (millions cu. ft./day)	23.5	19.6*	19.9%
Sulphur (long tons/day)	18	20	(10.0%)

\* Production was restricted due to an explosion and fire at Marten Hills South gas field.

Sulphur production from the Harmattan Leduc field continued to decline and there is no incentive to attempt to remedy the problems because of the very poor market demand. Only part of the sulphur recovered is being sold. This year's market demand for western Canadian natural gas is forecast to be 12.8% and crude oil and NGL to be 14.8% over last year's. The large capital expenditures incurred in recent years to increase oil production at Swan Hills, Virginia Hills and other large reserve fields, are enabling Alminex to achieve record production.

## FINANCIAL

The following table compares the unaudited financial results of your Company's operations for the first six months of 1972 with those of 1971:

	1972	1971	Increase
Gross Production			
Income — after royalty	\$3,634,660	\$3,135,090	15.9%
Exploration Costs (including unproven property expense)	954,197	751,370	27.0%
Cash Earnings — after all costs including exploration, but excluding depreciation, depletion and income taxes			
Net Income before taxes	1,138,875	1,047,931	8.7%
Provision for Income Tax	452,000	445,000	1.6%
Net Profit	686,875	602,931	13.9%

The following table compares the unaudited financial results of your Company's operations for the first six months of 1972 with those of 1971:

	1972	1971	Increase
Gross Production			
Income — after royalty	\$3,634,660	\$3,135,090	15.9%
Exploration Costs (including unproven property expense)	954,197	751,370	27.0%
Cash Earnings — after all costs including exploration, but excluding depreciation, depletion and income taxes			
Net Income before taxes	1,138,875	1,047,931	8.7%
Provision for Income Tax	452,000	445,000	1.6%
Net Profit	686,875	602,931	13.9%

On June 29, 1972, a dividend of 10¢ per share was paid by your Company, an increase of 3¢ per share over 1971. Unfortunately, as a result of changed income tax regulations Canadian individuals are no longer entitled to a depletion allowance on these dividends.

## EXPLORATORY DRILLING

### RESERVES

Until further information is available, gas from the new discoveries has not been added to reserves and, accordingly, your Company's proven and probable reserves of oil, natural gas, NGL and sulphur, declined by the amount of production.

### GENERAL

The impact of changes in federal corporate tax law, implemented on January 1, 1972, and, in particular, the loss of the main benefits of the percentage depletion allowance are of continuing concern to your Company. The oil industry in Alberta is being required to increase its revenues to the provincial government by between \$50 and \$90 million per year. The method by which these new taxes will be raised is expected to be announced by the end of July 1972, to go into effect at the beginning of 1973. These increased demands of governments, together with the burden of inflation have not been offset by higher selling prices to the producer. It is expected that price adjustments will occur which will enable Alminex to justify continued exploration and to maintain reasonable profit margins. The demand for Canadian oil and gas is growing, but reasonable economic incentives must be available to encourage a growing industry.

Your Company also participated in a number of shallow test holes on a Bituminous Sand Lease at Athabasca, Alberta, in which Alminex owns 12.5%. The data obtained are being interpreted and a feasibility study will be undertaken which will cover all aspects of mining and processing.

During the first half of 1972, gravity and seismic programs were conducted in Ontario and other programs were completed in Saskatchewan and the Northwest Territories. During the rest of the year seismic studies will be conducted or data purchased in the Western Provinces and the Northwest Territories, including a short joint venture in the Arctic Islands with Panarctic Oils Ltd. As part of its commitment on the 5.4 million acres farmed out by your Company, Murphy Oil Company completed photographic geological maps of Alminex's acreage in the eastern Arctic, and will undertake surface geological mapping of these same lands this summer.

### DEVELOPMENT

Alminex participated in six development wells, all located in Alberta. One of these, in the Medicine River field, proved to be an oil discovery in a new horizon. Gas wells were completed at Marten Hills South and Carstairs and the remainder, all potential oil wells, at Manyberries, Medicine River and Mitisue are waiting to be completed. A new waterflood

project in the Swan Hills field was placed on production in April and further expenditures are being undertaken to boost production from this and other oil fields. It is expected that plant construction will be completed and partial production of the Harmattan Elkton gas field, in which Alminex has a small interest, will begin late in 1972.

On Behalf of the Directors,

F. R. BURTON,  
President.